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RUEHAS/AMEMBASSY ALGIERS PRIORITY 0555
RUEHAK/AMEMBASSY ANKARA PRIORITY 3299
RUEHRL/AMEMBASSY BERLIN PRIORITY 1912
RUEHDO/AMEMBASSY DOHA PRIORITY 0154
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RUEHLO/AMEMBASSY LONDON PRIORITY 1576
RUEHMD/AMEMBASSY MADRID PRIORITY 1924
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C O N F I D E N T I A L SECTION 01 OF 02 ROME 000314

SIPDIS

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TAGS: [EFIN](#) [KPAL](#) [KWBG](#) [PGOV](#) [PHUM](#) [PTER](#) [EUN](#)

SUBJECT: ITALY CONFIRMS PLEDGE OF \$100M FOR GAZA, BUT ONLY
\$30M IS NEW FUNDING

REF: SECSTATE 20388

Classified By: Economic Minister Counselor Tom Delare
for reasons 1.4 (b) and (d).

11. (C) Summary: Responding to reftel demarche, Antonello De Riu of the Italian MFA confirmed Italy's pledge of \$100m (79m Euros) in aid for Gaza, to be spent over three or four years, though he cited two problems that could result in the pledge not being met: Italian "over engagement" and the limited absorptive capacity of the Palestinian Authority to responsibly spend funds. Of the total pledge approximately 24 million Euros (\$30m) are newly committed funds, which will consist of grants and credits, for which Italy has not identified a funding source. Comment: Substantial Italian commitments to Afghanistan, Gaza, Iraq, Libya, and Pakistan (septel), combined with cuts in development assistance of sixty percent in 2009 call into question Italy's ability to meet all of its pledges. We need to press the Italians to prevent this reduction and deliver on their aid commitments. End Summary.

12. (C) On 9 March Econoff delivered reftel demarche to MFA Counselor Antonello De Riu, head of the Middle East office within the Development Cooperation Directorate. De Riu confirmed that Italy intends to spend \$100 million (79m Euros), though he said there is still disagreement within the Italian government over whether the aid would be disbursed over three or four years (Prime Minister Berlusconi has publicly announced conflicting timelines). Of the 79m Euros, 22 million Euros were previously obligated in December of 12008. The GOI would like to spend this tranche of funds by the end of 2009, though De Riu claims it has encountered difficulties due to lack of Palestinian governmental capacity. The GOI has 33.5 million Euros yet to be disbursed from a pledge made in Paris in 2007, which will be reallocated to meet the new 79m Euro pledge. Subtracting the money that Italy began spending in December and the Paris money already pledged, the net new Italian contribution is approximately 24 million Euros, of which De Riu estimated 60-70% would be in credits with the remainder in grants. De Riu thought the money would come from funds already allocated for bilateral, multilateral and emergency GOI accounts.

13. (C) The GOI began spending 22 million Euros in December

of 2008 mainly on aid to vulnerable families in Gaza, channeled through the European Community, De Riu said. The EC monitored those cash disbursements very closely to ensure they were given exclusively to needy families, according to De Riu. Medical teams, humanitarian flights, UNRWA, the FAO and the WHO were also recipients of funds from this Italian disbursement. In the past Italy has given money through the UNDP and ICRC, De Riu said, but for domestic political reasons and for improved accountability it now prefers to give as much Palestinian aid as possible through the PA or through the European Community. De Riu noted that the Palestinian Authority requested that all projects be steered through it, but asked rhetorically who would monitor it for corruption.

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Limited Palestinian Absorptive Capacity
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¶4. (C) "A pledge doesn't mean much unless it's actually spent," said De Riu. According to De Riu, lack of competence within the Palestinian Authority (PA) often impairs Italy's ability to successfully disburse aid and execute projects. He cited the example of an 11 million Euro West Bank electrical project that Italy had pledged to build in Hebron. The project was contingent upon the municipality of Hebron creating a company to manage the electricity. Despite repeated attempts to secure cooperation, the municipality refused to do so, thus the GOI is attempting to re-direct the project for Gaza. "The problem is that the PA doesn't control Gaza," De Riu noted. As a result Italy finds it

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difficult to fund education and health there as the schools and hospitals are run by Hamas. "I fear that absent a political solution (to intra-Palestinian factionalism) it will be very difficult for Italy to spend its pledge within four years," De Riu said. He suggested if the GOI is able to successfully disburse 22 million Euros in 2009 it would be a harbinger of whether the PA has sufficient competence and expertise to absorb the entire Italian 79 million Euro pledge.

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A Personal Political Commitment from the PM
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¶5. (C) De Riu was puzzled how PM Berlusconi's widely publicized remarks about a "Marshall Plan" for the Palestinians might be implemented in practice. He speculated that it might focus on private sector growth, but he said given the restrictions on import and export of goods in Gaza, he did not think private sector investments would be particularly promising. De Riu thought the PM used the rhetorical flourish to demonstrate a political commitment and in short, De Riu said, "aid to Palestine is a priority now."

¶6. (C) Comment: Italy has announced a sixty percent cut in its global development assistance budget, yet PM Berlusconi continues to pledge increases in Italian assistance to high profile areas like Gaza. Embassy will continue to press the GOI to meet its assistance commitments, including for this latest tranche of 24m Euros. This latest offer appears to be a high priority with Berlusconi's personal support. Nevertheless, we remain skeptical, given Italy's past performance. End Comment.

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